



CIRCULAR

STATE OF NEW JERSEY

DEPARTMENT OF THE TREASURY

NO: 06-12-OMB	ORIGINATING AGENCY: OFFICE OF MANAGEMENT AND BUDGET	PAGE 1 OF 8
EFFECTIVE DATE: 4-21-06	EXPIRATION DATE: 12/31/06	SUPERSEDES: 05-16-OMB
SUBJECT: YEAR-END GUIDELINES FISCAL YEAR 2006		
ATTENTION: DIRECTORS OF ADMINISTRATION, FISCAL OFFICERS, AND PAYROLL OFFICERS		
FOR INFORMATION CONTACT: CHERYL SCHWARTZ		PHONE: (609) 292-4820

This Circular letter contains important year-end information and cutoff dates for the New Jersey Comprehensive Financial System (NJCFS) and Centralized Payroll System. Refer to the Purchase Bureau's fiscal year 2006 cutoff date memorandum, dated January 12, 2006 for Purchase Bureau year-end information.

I. PAYROLL INFORMATION

Starting with the regular bi-weekly pay period June 24, 2006 through July 7, 2006 (pay period 14) and supplemental payrolls applicable to fiscal year 2006 - 2007, the following procedures are in effect:

A. Salary Program

Negotiated salary packages will be implemented jointly by the Department of Personnel (DOP) and the Department of the Treasury, Office of Management and Budget (OMB), Centralized Payroll.

B. Number of Working Days

1. The number of working days in fiscal year 2006 for twelve-month employees is 261. The number of working days in fiscal year 2007 will be 260. The bi-weekly gross calculations will change on pay period 14, 2006 for the new fiscal year.
2. The number of working days in fiscal year 2006 for those employees paid under compensation code three (ten-month payment) is 217. The number of working days in fiscal year 2007 will be 216. The bi-weekly gross calculation for ten-month employees will change on pay period 18, 2006 for the new fiscal year.

C. Overlap Pay Period

Pay period 14, (June 24, 2006 through July 7, 2006) affects two fiscal years. The OMB Payroll Section will make the necessary computations with regard to the split, and will furnish a separate Advice-of-Charge for each fiscal year. The split for a 10 day pay will be five days charged to fiscal year 2006 and five days charged to fiscal year 2007.

D. Overtime Payments

1. Overtime payments paid on regular pay period 13 will be charged to fiscal year 2006.
2. Overtime payments paid on regular pay period 14 will be charged to fiscal year 2007.

Note: If it is deemed necessary to have pay period 14 overtime payments charged to fiscal year 2006, these payments will have to be submitted on a separate supplemental payroll due in Centralized Payroll no later than noon, Friday, June 30, 2006 for payment on supplemental pay period "N," 2006.

E. Food and Other Maintenance

It shall be the responsibility of the agency payroll officer to change any food and other maintenance deductions on the pay period June 24, 2006 through July 7, 2006 (pay period 14) to reflect any revised maintenance amounts that are in effect for fiscal year 2007. Requests for mass changes of food maintenance amounts should be made to Centralized Payroll. Forward these requests to:

Kevin McMullen
Supervisor, Payroll Audit-Centralized Payroll
Office of Management and Budget
Second Floor - Room 260
P.O. Box 207
Trenton, New Jersey 08625-0207

F. Salary Rates

Tables of bi-weekly salary, daily, hourly, and overtime rates, based on 216 and 260 working days for fiscal year 2007, will be available from DOP.

G. Supplemental Payrolls

1. The supplemental pay period "O" will accommodate both fiscal years. However, a single supplemental payroll submission cannot be used to reflect charges to more than one fiscal year. Supplemental payroll charges for pay earned through June 30, 2006 shall be submitted on one payroll marked "fiscal year 2006" and charges for pay earned on or after July 1, 2006 shall be submitted on a separate payroll marked "fiscal year 2007."
2. Supplemental payroll charges for pay earned through June 30, 2006, must be marked "fiscal year 2006" and be received in the Payroll Section no later than noon, Monday, July 17, 2006 for payment on supplemental pay period "O," 2006, in order to be charged to fiscal year 2006 appropriation accounts. Deficits created as a result of this action are the departments' responsibility.
3. Supplemental payroll charges for pay earned from July 1, 2006 through July 7, 2006 shall be marked "fiscal year 2007" and be submitted for payment on supplemental pay period "O," 2006 and charged to fiscal year 2007. These proofs are due no later than noon, Monday, July 17, 2006.
4. All supplemental payrolls submitted after noon, July 17, 2006 must be charged to fiscal year 2007. Do not attempt to obligate fiscal year 2006 appropriations for salary purposes.
5. Supplemental payrolls for retroactive payments, sick leave injury, or accrued vacation after retirement or separation cannot be submitted for payment against position numbers which have been abolished in the new fiscal year. These supplemental payrolls must be submitted

for supplemental pay period "O," marked "fiscal year 2006," and are due no later than noon, July 17, 2006.

II. NEW JERSEY COMPREHENSIVE FINANCIAL SYSTEM (NJCFS)

Note: Continuing Appropriations - The below references to cutoff dates and pre-encumbrance cancellations do not pertain to continuing appropriations. Appropriation records which have an appropriation type "02" are considered to be continuing appropriations.

A. Critical Dates

1. Year-end Cutoff Dates

The cutoff dates for fiscal year 2006 transactions that may require approval by OMB or the Office of Legislative Services (OLS) are listed below:

<u>TRANSACTION CODE</u>	<u>CUTOFF DATE</u>
TA (OLS approval)	July 14, 2006
AP	July 14, 2006
RB	July 14, 2006
TA	July 14, 2006

2. NJCFS Key Dates

- | | | |
|--|----|---|
| April 19, 2006
to
April 28, 2006 | a) | Fiscal year 2007 original appropriations are established in NJCFS. |
| | b) | EXPB records will be created with zero balances in fiscal year 2007 for all records that have a balance in fiscal year 2006 and a corresponding fiscal year 2007 appropriation record. A balance is considered a pre-encumbrance, encumbrance or expenditure. |
| May 1, 2006
to
May 5, 2006 | a) | REVB records will be created in fiscal year 2007. |
| | b) | NJCFS is opened for limited fiscal year 2007 activity based on the original appropriations - exclusive of expenditures or revenue. |
| May 8, 2006
to
May 12, 2006 | a) | Estimated receipt amounts are established on appropriation and revenue budget records for appropriation sources 3XX and 4XX. |
| June 30, 2006 | a) | Year-end Program will run against trust and bond funds (Funds 5XX and 7XX). Free balances will be brought forward to fiscal year 2007. REVB and EXPB records will be created in fiscal year 2007 for all active records in fiscal year 2006 for trust and bond funds. |
| | b) | NJCFS will be down from June 30, 2006, 5 p.m. until July 3, 2006 10 a.m. |
| July 31, 2006 | a) | Travel pre-encumbrances (TEs, THs) will be converted to Agency Orders (AOs). |
| | | Note: TVs processed after this date must reference the converted agency orders (AOs). |
| | b) | Pre-encumbrances (RAs, RPs, RDs) will be canceled for all non-trust and bond accounts. |

- c) Year-end Program will run against fiscal year 2006 accounts. Free balances will lapse or carry forward, depending on the appropriation language.
- d) NJCFS will be down from July 31, 2006, 5 p.m. until August 2, 2006, 10 a.m.

B. Cancellations

1. Cancellation of Pre-encumbrances

On July 31, 2006 after the close of business, all pre-encumbrances (RAs, RPs and RDs) in non-continuing appropriation accounts within the General Fund will be canceled by OMB. In anticipation of this action, agencies are encouraged to convert pre-encumbrances that represent a legitimate 2006 obligation to encumbrances with proper vendor numbers prior to the July 31, 2006 date. Uncommitted balances created by canceled pre-encumbrances will either lapse or carry forward in accordance with the appropriation type on the appropriation record.

In cases where a legitimate reason exists to have the balances of canceled pre-encumbrances reinstated in the new fiscal year, agencies must submit requests in writing by August 31, 2006 to justify the reinstatement of funds. Requests for reinstatement should be sent to:

Leslie A. Notor
Manager, Accounting Bureau
Office of Management and Budget
Fifth Floor - Room 513
P.O. Box 221
Trenton, New Jersey 08625-0221

Please list the following specific items in the request:

- a) Pre-encumbrance document number
- b) Appropriation account number
- c) Amount that was canceled
- d) Amount that is requested to be reinstated
- e) Justification for the reinstatement

C. Deficit Balances

Chapter 131, P.L. 1989 established a penalty of prison or fines for purposely and knowingly over expending an appropriation. Any fiscal officer, business manager, or director of administration could be held liable under Chapter 131, P.L. 1989 if salary accounts (or any other accounts) are allowed to go into deficit without immediate corrective action. Therefore, it is the responsibility of each fiscal officer to make certain that no fiscal year 2006 appropriation account closes the fiscal year with a negative unobligated balance. Agency fiscal officers should not rely on last minute processing of transfers and other accounting documents to relieve deficits. Preparation and submission of deficit relieving documents should begin immediately upon receipt of this letter. Because of the time constraints involved, all transfers requiring OLS approval must be submitted to OMB no later than July 14, 2006.

All deficits on Appropriation Tables must be resolved by July 31, 2006. OMB does not require the elimination of deficits on Expense Budget Tables (EXPB).

D. Exemption from Fringe Benefit Charges

In order for any non-state funded salary account to be considered exempt in fiscal year 2007 from applicable fringe benefit charges as per Circular Letter 94-09-OMB, all requests for such exemption must be submitted to the Assistant Director, Budget, OMB, for approval by the Director, OMB, prior to July 31, 2006.

E. Indirect Cost Exemptions

Effective July 3, 2006, all existing waivers for the recovery of indirect costs will be canceled. If a waiver is desired, a new request must be submitted to the Assistant Director, Budget, OMB, for approval by the Director, OMB. The waiver request must provide justification for the exemption, the dollar amount of the exemption and the funding source. All waivers will be for one fiscal year only.

F. Fixed Asset and Infrastructure Reporting and Certification Requirements

All questions pertaining to this section should be directed to Steven Sagnip, Financial Reporting at (609) 292-3175.

All agencies are required to maintain an internal inventory of all equipment assets with an acquisition value of \$1000 or more. All agencies must perform a physical inventory to verify the status and condition and update their internal inventory by June 30 of each fiscal year. Agencies should compare their inventory records with their internal purchasing records.

Agencies are responsible for reporting to OMB the acquisition, lease, construction, and ownership as well as retirement or sale of any asset that satisfy the thresholds defined in OMB Circular Letter 01-07-OMB and for which the agency maintains stewardship or responsibility. In addition, land easements, infrastructure, and assets of historic, scientific, or artistic nature must also be reported. All assets that have been received and accepted for delivery prior to June 30 should be reported. All assets retired, sold, demolished, or scrapped prior to June 30 must also be reported. Agencies responsible for construction or purchase of fixed assets not already reported by Treasury should report those transactions.

In fiscal year 2006, OMB eliminated the Web Fixed Assets System by moving equipment reporting to the Statewide Land and Building Asset Management System (LBAM). For fiscal year 2006 all purchases, leases, or sale of land, easements, buildings, improvements, infrastructure, and equipment are to be entered into LBAM. Additionally, starting with fiscal year 2006, all software that is purchased, developed or under development that exceeds a cost of \$100,000 must be reported to OMB. Expenditures for multi-year software application development projects must be reported annually.

Departments are responsible for entering fiscal year 2006 transactions no later than July 31, 2006. OLS State Auditing unit has initiated an audit of the buildings and equipment in LBAM. Any delay in entering fiscal year 2006 activity will impact the ability of the State Auditing unit and OMB to complete the annual Comprehensive Annual Financial Report.

All agencies are responsible for reconciling the LBAM system to their internal records by July 31. Any differences should be recorded or retired in the system. The LBAM system is available to all agencies through the Garden State Network or MYNJ Portal. In addition to those items reported as fixed assets, all agencies are required to report any assets classified as infrastructure that have been acquired or constructed since 1981.

Infrastructure may include: dams, airport runways, roads, bridges, canals, docks, sewer, water, and electric distribution systems. Major improvements to infrastructure assets must also be reported. Land purchased for the express purpose of supporting infrastructure must be reported

into the LBAM system as a land asset. DOT infrastructure, excluding land, is to be submitted to OMB directly via a spreadsheet listing cost, category, and year of acquisition.

Historic and artistic holdings may be summarily submitted in "classification format" along with written department policy stating that historic and/or artistic holdings are held for reasons other than financial gain; the collection is protected, kept unencumbered, is cared for and preserved; and all proceeds from sales of collection items are used to acquire other items for collections. This information must be submitted with the annual certification. Departments without a written policy must enter all historic and artistic holdings, including a monetary value at time of acquisition, into LBAM.

In fiscal year 2006, the State is required to implement GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Therefore, departments are required to report asset impairments. An asset impairment is a significant, unexpected decline in the usable capacity of a capital asset. Impairment is indicated when events or changes in circumstance suggest that the usable capacity of the capital asset may have significantly and unexpectedly declined. Both significant and unexpected declines must be present for an asset to be impaired. Common indicators of impairment include:

1. Evidence of physical damage such that restoration efforts are needed to restore usable capacity.
2. Enactment or approval of laws, regulations, court orders, or other changes in environmental factors.
3. Technological development or evidence of obsolescence.
4. A change in the manner or expected duration of use of a capital asset.
5. Construction stoppage due to lack of funding.

Asset impairment will be reported using the Capital Asset Impairment Questionnaire (see attachment). OMB, Financial Reporting will contact the agency directly concerning any reported capital asset impairment.

OMB requires only one certification by the Chief Financial Officer of the agency. The CFO must certify that; an annual inventory has occurred, all qualifying assets have been entered into the LBAM system, and all infrastructure assets have been submitted to OMB. **For fiscal year 2006, OMB will not accept certification from a designated individual.** Agencies must use the following wording in their certification letter:

Pursuant to OMB Circular 01-07-OMB fixed assets reporting policy and in accordance with generally accepted accounting principles and Governmental Accounting Standards Board standards, the Department/Agency of [Department Name/Agency] certifies the following representations:

1. In accordance with OMB Circular 01-07-OMB and Department of [Insert Name] inventory policies, at least one physical inventory of all Departmental/Agency assets has occurred in fiscal year 2006 (July 1, 2005 through June 30, 2006), and;
2. In accordance with OMB Circular 01-07-OMB and OMB Circular [insert this Circular letter number] all qualified fixed asset and infrastructure purchases and/or retirements, as described in the aforementioned circulars, procured during fiscal year 2006 have been entered into LBAM or in the case of DOT, has been reported to OMB.
3. In accordance with the Year End Circular Letter, all capital asset impairments have been identified and reported in the attached asset impairment questionnaire.

The CFO should submit certification and the asset impairment questionnaire no later than August 16, 2006 to:

James Kelly
Manager, Financial Reporting
Office of Management and Budget
Sixth Floor - Room 606
P.O. Box 221
Trenton, NJ 08625-0221

G. Intra-governmental

1. Treasury - Division of Administration (Treasury Fiscal)

Treasury Fiscal requests that agencies process payments by July 31, 2006 to cover any actual or projected deficits. The central services which are administered by Treasury Fiscal are telephone, motor pool, postage, print shop, rent, Distribution Center and the Line of Credit.

Note: Please advise the Financial Reporting Section, OMB, of any material transactions not processed and recorded by July 31, 2006.

2. Department of Corrections (DEPTCOR)

The process to encumber funds payable to DEPTCOR, (State Use Industries) if funding is not encumbered through MACS-E purchase order type "STU," is as follows:

- a) Process an encumbrance (AO) with an intra-governmental indicator of "Y."
- b) Process an intra-governmental payment voucher (AV) in accordance with the provisions of Circular Letter 95-08-OMB, referencing the intra-governmental encumbrance.

Note: BFY 06 must be referenced, in the header of the AV transaction in order for payment to be credited to the seller account

- c) The seller account on the AV transaction will be as follows:

<u>BFY</u>	<u>Fund</u>	<u>Agcy</u>	<u>Orgn</u>	<u>Ap Unit</u>	<u>Actv</u>	<u>Rev Src</u>
06	100	026	7020	001		3769

- d) The description must be the invoice number from DEPTCOR.

H. Accounting Periods

Please refer to the chart below for the correct assignment of accounting periods.

<u>MONTH</u>	<u>FISCAL YEAR</u>	<u>ACCOUNTING PERIOD</u>
May	06 and earlier 07	11 06 01 07
June	06 and earlier 07	12 06 01 07
July	06 and earlier 07	12 06 01 07

Charlene M. Holzbaaur
Director

Capital Asset Impairment Questionnaire (GASB Statement No. 42)

Agency _____ Division _____

Please check off type of impairment.

	Indicator of Impairment					
	Evidence of physical damage	Enactment or approval of laws or regulations or other changes in environmental factors	Technological development or evidence of obsolescence	Change in manner or duration of use	Construction stoppage	Contact/Phone Information
Capital Asset 1						
LBAM ASSET ID: _____	()	()	()	()	()	
DESCRIPTION: _____ (land, building, equipment, etc)						
Comment: _____						

Capital Asset 2

LBAM ASSET ID: _____	()	()	()	()	()	
DESCRIPTION: _____ (land, building, equipment, etc)						
Comment: _____						

Attach additional sheets, if necessary.

Indicator of impairment definitions.

Evidence of physical damage, for example, a building damaged by fire or flood, when the level of damage is such that restoration efforts are needed to restore usable capacity.

Enactment or approval of laws or regulations or other changes in environmental factors, such as, new water quality standards that a water treatment plant does not meet.

Technological development or evidence of obsolescence, such as, that related to a major piece of diagnostic or research equipment that is rarely used because newer equipment provides better service.

Change in the manner or expected duration of use, for example, closure of a school prior to the end of its useful life.

Construction stoppage, such as, stoppage of construction of a building due to lack of funding.

If impairments are listed above, OMB will contact the agency/division for additional information.

Once impairments have been identified, immediately return completed questionnaire to Steven Sagnip, 33 W. State St., PO Box 221, Trenton, NJ 08625.

Return a copy of this questionnaire with the completed capital asset certification to James Kelly, 33 W. State St., PO Box 221, Trenton, NJ 08625.